

Message Text

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ACTION EUR-12

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TAGS: ENRG, EC, IT
SUBJECT: GOI DECISION ON NATIONAL ENERGY PLAN: REFINERY PROVISIONS

REF: ROME 4151

1. CIPE (INTERMINISTERIAL COMMITTEE FOR ECONOMIC PLANNING)
FINAL DECISION ON NATIONAL ENERGY PLAN (REF) INCLUDED
APPROVAL OF A MINISTRY OF INDUSTRY PLAN TO RATIONALIZE THE
REFINERY SITUATION BY AVOIDING "ANY FURTHER DEVELOPMENT
OF CAPACITY" AND BY CARRYING OUT CLOSURES, REDUCTIONS OR
TRANSFORMATIONS OF OBSOLETE OR "BADLY LOCATED"
REFINERIES. CIPE SPECIFICALLY APPROVED THE FOLLOWING
MEASURES IN THE PLAN : (A) CANCELLATION OR REVOCATION OF
REFINERY CONCESSION DECREES NOT USED; (B) CLOSURE OR CON-
VERSION INTO STORAGE DEPOTS OF THE LEAST EFFICIENT REFINERIES
AND (C) EVERY EFFORT, ESPECIALLY WITH EC, TO PREVENT ANY
INCREASE IN EXISTING REFINERY CAPACITY IN NORTHERN EUROPE
AND DUMPING BY PRODUCING COUNTRIES. CIPE CALLED FOR
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CONSIDERATION OF THE POSSIBILITY OF SELLING OR LEASING
UNDER LONG-TERM CONTRACTS A PORTION OF ITALY'S
REFINERIES TO PRODUCING COUNTRIES THAT DO NOT NOW HAVE
REFINERIES BUT PLAN TO BUILD THEM SOON.

2. CIPE CONCURRENTLY APPROVED A DIRECTIVE THAT
ESTABLISHES ENI'S (STATE HYDROCARBONS ENTERPRISE) SHARE

OF ITALY'S TOTAL REFINERY CAPACITY AT "40 PERCENT OR MORE" (COMPARED TO PRESENT LIMIT OF 40 PERCENT) AND CALLED FOR IDENTIFICATION OF THE FACILITIES OF PRIVATE REFINERY COMPANIES GOING OUT OF BUSINESS THAT COULD BE TRANSFERRED OR MERGED WITH OTHER EXISTING FACILITIES. CIPE DIRECTED THE MINISTRY OF INDUSTRY TO CLASSIFY REFINERIES IN FOUR CATEGORIES: (A) SUSCEPTIBLE OF FURTHER QUALITATIVE AND QUANTITATIVE DEVELOPMENT; (B) SUSCEPTIBLE OF QUALITATIVE BUT NOT QUANTITATIVE DEVELOPMENT, (C) OBSOLETE AND SUSCEPTIBLE TO CONVERSION INTO DEPOTS AND (D) SUBJECT TO REVOCATION OF CONCESSION PERMIT.

3. COMMENT: A WELL PLACED TRADE SOURCE SAID IDEA OF SELLING OR LEASING REFINERIES TO PRODUCING COUNTRIES IS NO MORE THAN WISHFUL THINKING. HE SAW NO REASON WHY THEY WOULD ACCEPT SUCH AN OFFER AS THEY WOULD NOT GAIN ANY DOWN-LINE MARKET CONTROL. HE SAID THE CHANGE IN ENI'S AUTHORIZED SHARE OF TOTAL ITALIAN REFINING CAPACITY WAS MADE TO ENABLE ENI TO BUY REFINERY CAPACITY FROM THE MONTI (PRIVATE) GROUP. MONTI HAS A HUGE REFINING CAPACITY OF ABOUT 38 MILLION TONS LOCATED AT TURIN, RAVENNA, GAETA (NEAR NAPLES) AND MILAZZO (SICILY), BUT CAN SELL ONLY ABOUT FIVE MILLION TONS ANNUALLY IN THE NATIONAL MARKET. UNDER CURRENT MARKETING CONDITIONS MONTI IS LOSING MONEY RAPIDLY AND LIMITED OFFICIAL USE

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IS, THEREFORE, BELIEVED TO BE TRYING TO UNLOAD THIS EXCESS CAPACITY AT THE STATE'S (ENI'S) EXPENSE. CIPE'S ACTION ON MONTI'S BEHALF DOES NOT NECESSARILY MEAN THE DEAL WILL GO THROUGH, AS ENI IS STRONGLY RESISTING IT.

4. APART FROM THE MONTI PROBLEM, SOME OF ITALY'S PRIVATELY OWNED REFINERIES ARE BOTH SMALL AND OBSOLETE. THE CIPE DECISION, ACCORDING TO OUR SOURCE, IS AIMED AT CLOSING DOWN COMPLETELY SOME OF ITALY'S 39 REFINERIES, WHILE MERGING OTHERS INTO NEW AND STRONGER COMPANIES. HE THOUGHT THE EC'S REFINERY PROPOSALS WOULD COME TO NOTHING BECAUSE OF THE EXTREME DISPARITY OF VIEWS AMONG THE MEMBER COUNTRIES--WITH THE UK WANTING TO BUILD NEW CAPCITY AND ITALY WANTING NORTHERN EUROPE TO SEND ITS CRUDE TO ITALY FOR REFINING.GARDNER

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